



**U.S. Department of Justice**

*United States Attorney  
Eastern District of New York*

WK:KTF  
F. #2016R01805

*271 Cadman Plaza East  
Brooklyn, New York 11201*

October 2, 2019

By ECF & Email

Joseph W. Ryan, Jr., Esq.  
Melville Law Center  
225 Old Country Road  
Melville, New York 11747-3111

Re: United States v. Michael Watts  
Criminal Docket No. 17-372 (S-2) (JS)

Dear Mr. Ryan:

The government provides this response to your letter dated September 26, 2019 attaching a document entitled "Brady/Giglio Demand" (ECF No. 537). The numbers below correspond with the numbers of your requests:

1. These documents were previously produced to you on January 18, 2018. The print order number is 91936. See, e.g., SEC-EDNY-EPROD- 000412658 – SEC-EDNY-EPROD- 000413255 (Ballestas E-Trade Financial Corp, Account 36618610); SEC-EDNY-EPROD- 000165835 – SEC-EDNY-EPROD- 000176964 (Kurtzke Scottrade, Account 506-03984-I); SEC-EDNY-EPROD- 000182386 – SEC-EDNY-EPROD- 000199510 (Kurtzke TD Ameritrade, Account 865354123); SEC-EDNY-EPROD- 000104508 – SEC-EDNY-EPROD- 000413393 (H. Matz E-Trade, Account 69381742); SEC-EDNY-EPROD- 000250464 – SEC-EDNY-EPROD- 000231605 (H. Matz Wilson-Davis, Account 11550490); SEC-EDNY-EPROD- 000413240 – SEC-EDNY-EPROD- 000104508 (J. Matz E-Trade, Account 63898915); and SEC-EDNY-EPROD- 000104508 – SEC-EDNY-EPROD- 000413240 (J. Matz E-Trade, Account 64707271).

2. These documents were previously produced to you on September 20, 2019. See documents with prefixes 3500-BRB and 3500-MK.

3. These trades were identified to you on several prior occasions, including the reverse proffer that the government presented to you on January 17, 2019, and in the Government Exhibits marked 372-375. We disagree with your definition of matched trades, for which you cite no authority. Contrary to your position, matched trades almost always occur on the open market, rather than in a private transaction, in order to create the false or misleading appearance to market observers and potential investors that there is active trading in the stock.

See S.E.C. v. Baldassare, No. 11-CV-5970 ARR VVP, 2014 WL 2465622, at \*2 (E.D.N.Y. May 29, 2014) (describing matched trades as “directing Individual A to place buy orders and directing the size, price, and timing of each order so that [the defendant] could simultaneously place equivalent sell orders. The purpose of matching these transactions was to artificially inflate [the] stock price over time by generating the appearance of market activity.”); S.E.C. v. Kwak, No. CIVA 304-CV-1331 JCH, 2008 WL 410427, at \*1 (D. Conn. Feb. 12, 2008) (“A matched trade takes place when a person buys or sells a stock, with knowledge that a substantially offsetting transaction is going to be entered into by someone, in order to mislead others about the extent of the activity in, or the market for, a given stock.”).

4. These documents were previously produced to you on January 18, 2018. The print order number is 91936. See, e.g., SEC-WD-E-0008816; SEC-FINRA-E-0019728; SEC-FINRA-E-0016755; SEC-FINRA-E-0002825.

5. These documents were previously produced to you on October 12, 2017, among the email search warrant returns, and on May 25, 2018, among the documents seized from the Boiler Room.

6-8. The government is not in possession of the requested documents.

9. Erik Matz’s PSR has not yet been prepared.

10-11. The government is not in possession of the requested documents.

12. The government is not aware of any evidence “which would tend to indicate that Michael Watts acted in good faith, and had no reason to believe that Eri[k] Matz, Robert Gleckman, and others were manipulating the price of HECC stock” during the time of the charged conspiracy.

13. The government is not in possession of the requested documents.

14. These videos were not seized pursuant to a search warrant; they are available online.

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In addition, over the phone, you requested that we identify for you specific blue sheet data pertaining to the year 2014. Please see EDNY-PTP-000648551, which was produced to you on August 27, 2019, and EDNY-PTP-000637912 and EDNY-PTP-000637913, which were produced to you on August 19, 2019.

Very truly yours,

RICHARD P. DONOGHUE  
United States Attorney

By:                     /s/                      
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c.c.: Clerk of the Court (JS) (by ECF)